

BUTTE-MEADE SANITARY WATER DISTRICT  
NEWELL, SOUTH DAKOTA

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FINANCIAL REPORT

FOR THE ONE YEAR ENDING DECEMBER 31, 2020

WITH INDEPENDENT AUDITOR'S REPORTS

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**INDEPENDENT AUDIT SERVICES, P.C.**

Benjamin Elliott, CPA

P.O. Box 262

Madison, South Dakota 57042

BUTTE-MEADE SANITARY WATER DISTRICT  
NEWELL, SOUTH DAKOTA

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FOR THE ONE YEAR ENDING DECEMBER 31, 2020

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NOTE: All figures shown in this financial report are in U.S. dollars.  
For space considerations, the "\$" symbol is not used.

**INDEPENDENT AUDIT SERVICES, P.C.**

Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042  
605.270.3020

Governing Board  
Butte-Meade Sanitary Water District  
Newell, South Dakota

**Independent Auditor's Report**

**Report on the Financial Statements**

I have audited the accompanying financial statements of the Butte-Meade Sanitary Water District, Newell, South Dakota, which comprise the statement of net position as of December 31, 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Unmodified Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Butte-Meade Sanitary Water District, as of December 31, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (page 3 to 5), and the Pension Schedules (page 22 and 23) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 3, 2021 (page 24) on my consideration of Butte-Meade Sanitary Water District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Butte-Meade Sanitary Water District's internal control over financial reporting and compliance. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota

July 3, 2021





## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the Butte-Meade Sanitary Water District's (District) financial report presents our discussion and analysis of the District's financial performance for the one year ending December 31, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

2020

#### Revenue:

Water sales	1,012,582
Hook up fees	1,600
Material sales	19,676
Other revenue	9,217
Interest and refunds	3,513
State DOT grant	76,826

Total 1,123,414

#### Expenses:

Payroll and related	439,032
Supplies and maintenance	118,113
Other operating	194,118
Interest expense and fees	64,042
Depreciation	140,476
Pension expense	26,431

Total 982,212

Increase in Net Position 141,202

#### Net Position:

January 1, 2020 2,346,586

December 31, 2020 2,487,788

#### During 2020, the District:

- \* Completed Beet Road line replacement for \$61,227.
- \* Completed Indian Creek line replacement for \$24,712.
- \* Purchased a 2010 Chevy K3500 truck from federal surplus property for \$28,100.
- \* Installed a telephone system for \$10,976.
- \* Made principal payments on five loans of \$76,129.
- \* Received a state DOT grant of \$76,826 to relocate an Owl Creek water line.

In 2020 water sales of \$1,012,582 was an increased of \$104,069 or 11.45% from 2019 due to increased demand. Customers buy material from the District at cost plus sales tax. In 2020 material sales of \$19,676 was a decrease of \$7,788 or 28.36% from 2019.

### BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This report consists of three parts: (1) management's discussion and analysis (page 3 to 5), (2) the basic financial statements (page 6 to 21) and (3) required supplementary information (page 22 and 23). The basic financial statements also include notes that explain some financial statement information in more detail.

The statement of net position reports all financial and capital resources. This statement presents assets and liabilities in order of relative liquidity. The liabilities with average maturities are presented in two components - the amounts due within one year and the amounts due in more than one year. The long-term liabilities of the District consist of notes and bonds payable are presented in these two components. The District's assets plus deferred outflow of resources less liabilities and deferred inflow of resources will equal the District's net position.

## SIGNIFICANT CAPITAL ASSET ACTIVITY

At December 31, 2020, the District had invested \$3,255,591 in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net decrease (including additions and deductions) of \$15,461 or 0.47% from December 31, 2019. The capitalization thresholds remain unchanged.

Significant capital asset activity is reported above. See page 19 for more information.

## SIGNIFICANT LONG-TERM DEBT ACTIVITY

Significant long-term debt activity is reported above. See page 20 for more information.

## MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

(Material changes = changes greater than \$50,000)

	Increase (Decrease)	Reason
Cash	128,989	Increase in net position less capital purchases
Noncurrent liabilities	(86,239)	Principal payments
Water sales	104,069	Increased demand and increase water rates
Supplies and maintance	(61,466)	Less repairs
State DOT grant	76,826	One time grant

## CURRENTLY KNOWN FACTS

In 2021 the hook-up fee was increased to \$2,000.

In 2021 FMG Engineering is working on a hydrolic study, which may indicate the need for a 3rd well in 3-5 years.

In April 2021 Hope Komes was appointed Clerk-Treasurer.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Butte-Meade Sanitary Water District's business office at 117 Girard Avenue, Newell, South Dakota 57760.

BUTTE-MEADE SANITARY WATER DISTRICT  
-- An Enterprise Fund --

TABLE 1 - NET POSITION (condensed)  
AS OF DECEMBER 31, 2020 and 2019

	2020	2019	Amount of Change	% of Change
	-----	-----	-----	-----
Assets:				
Cash	405,122	276,136	128,986	46.71
Other current assets	167,156	160,421	6,735	4.20
Capital assets	3,255,591	3,271,052	(15,461)	(0.47)
Other assets	193,633	184,958	8,675	4.69
Deferred outflow of resources	81,976	58,694	23,282	39.67
	-----	-----	-----	-----
Total	4,103,478	3,951,261	152,217	3.85
	=====	=====	=====	=====
Liabilities:				
Current liabilities	240,928	192,659	48,269	25.05
Noncurrent liabilities	1,299,178	1,385,417	(86,239)	(6.22)
Deferred inflow of resources	75,584	26,599	48,985	184.16
	-----	-----	-----	-----
Total	1,615,690	1,604,675	11,015	0.69
	=====	=====	=====	=====
Net position:				
Net invested in capital assets	1,868,600	1,808,951	59,649	3.30
Restricted:				
Debt service	106,160	99,121	7,039	7.10
SDRS pension purposes	6,970	33,401	(26,431)	(79.13)
Unrestricted	506,058	405,113	100,945	24.92
	-----	-----	-----	-----
Total	2,487,788	2,346,586	141,202	6.02
	=====	=====	=====	=====

TABLE 2 - CHANGES IN NET POSITION (condensed)  
FOR THE TWO YEARS ENDING DECEMBER 31, 2020

	2020	2019	Amount of Change	% of Change
	-----	-----	-----	-----
Revenues:				
Water sales	1,012,582	908,513	104,069	11.45
Other revenue	30,493	30,070	423	NA
Interest and refunds	3,513	4,452	(939)	(21.09)
	-----	-----	-----	-----
Total revenues	1,046,588	943,035	103,553	10.98
	-----	-----	-----	-----
Expenses:				
Payroll and related	439,032	429,040	9,992	2.33
Supplies and maintenance	118,113	179,579	(61,466)	(34.23)
Other operating	194,118	170,382	23,736	13.93
Interest expense and fees	64,042	64,164	(122)	(0.19)
Depreciation	140,476	130,410	10,066	7.72
Pension expense	26,431	38,904	(12,473)	(32.06)
Loss of disposition of property	0	9,309	(9,309)	NA
	-----	-----	-----	-----
Total expenses	982,212	1,021,788	(39,576)	(3.87)
	-----	-----	-----	-----
Revenues over (under) expenses	64,376	(78,753)	143,129	(181.74)
Capital contributions	76,826	0	76,826	0
	-----	-----	-----	-----
Net position increase (decrease)	141,202	(78,753)	219,955	(279.30)
Net position:				
December 31, 2018		2,425,339		
		-----		
December 31, 2019	2,346,586	2,346,586		
	-----	=====		
December 31, 2020	2,487,788			
	=====			

## BUTTE-MEADE SANITARY WATER DISTRICT

STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2020

## ASSETS

Current assets:	
Petty cash	219
Checking	114,803
Savings	290,100
	-----
Total cash	405,122
Accounts receivable	74,170
Less: Allowance for doubtful accounts	(2,544)
Inventory	64,657
Prepaid expenses	30,873
	-----
Total current assets	572,278
	-----
Capital assets:	
Land	24,262
Buildings	273,349
Collection and distribution system	5,453,941
Equipment	475,151
Vehicles	88,962
Accumulated depreciation	(3,060,074)
	-----
Total capital assets	3,255,591
	-----
Other assets:	
Restricted savings - customer deposits	22,328
Restricted CD - customer deposits	64,567
Restricted savings - debt service	48,700
Restricted CD - debt service	57,460
Net pension assets	578
	-----
Total other assets	193,633
	-----
Total assets	4,021,502
	=====

## DEFERRED OUTFLOW OF RESOURCES

Pension related deferred outflow	81,976
	-----
Total deferred outflow of resources	81,976
	=====

## LIABILITIES

Current liabilities:	
Accounts payable	51,662
Accrued wages and benefits payable	7,929
Accrued interest expense	3,105
Meter deposits	86,895
Long-term debt due within one year	91,337
	-----
Total current liabilities	240,928
	-----
Noncurrent liabilities:	
Accrued leave	6,629
Long-term debt, net of current portion	1,292,549
	-----
Total liabilities	1,540,106
	=====

## DEFERRED INFLOW OF RESOURCES

Pension related deferred outflow	75,584
	-----
Total deferred inflow of resources	75,584
	=====

## NET POSITION

Net invested in capital assets	1,868,600
Restricted:	
Debt service	106,160
SDRS pension purposes	6,970
Unrestricted	506,058
	-----
Total net position	2,487,788
	=====

See accompanying notes.

BUTTE-MEADE SANITARY WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION  
FOR THE ONE YEAR ENDING DECEMBER 31, 2020

Operating revenue:	
Water sales	1,012,582
Hook up fees	1,600
Material sales	19,676
Other revenue	9,217
	-----
Total operating revenue	1,043,075
	-----
Operating expenses:	
Office expense	40,676
Utilities	67,422
Vehicle cost	21,296
Insurance	28,812
Professional fees	14,282
Payroll	318,742
Payroll expense	19,107
Payroll retirement benefits	17,882
Payroll health insurance benefits	83,301
Supplies	70,600
Maintenance	47,513
Sales tax	1,223
Bad debt expense	986
Board fees	10,238
Board milage	656
Miscellaneous expenses	8,527
Depreciation	140,476
SDRS penseion expense	26,431
	-----
Total operating expenses	918,170
	-----
Total operating income (loss)	124,905
Nonoperating revenue (expense):	
Interest earnings	853
Capital credit refund	2,660
Interest expense	(64,042)
	-----
Income (loss) before contributions	64,376
Capital contribution:	
South Dakota DOT grant	76,826
	-----
Change in net position	141,202
Net position:	
December 31, 2019	2,346,586
	-----
December 31, 2020	2,487,788
	=====

See accompanying notes.

BUTTE-MEADE SANITARY WATER DISTRICT

STATEMENT OF CASH FLOWS  
FOR THE ONE YEAR ENDING DECEMBER 31, 2020

Cash flows from:

Operating activities:

Receipts from customers	1,046,668
Payments to employees	(461,805)
Payments to suppliers	(262,646)

Net cash provided (used)	-----
by operating activities	322,217

Noncapital financing activities:

None

Capital financing activities:

State DOT grant	76,826
Cash paid for collection and distribution	(85,939)
Cash paid for equipment	(10,976)
Cash paid for vehicle	(28,100)
Cash paid for debt - principal	(76,128)
Cash paid for debt - interest	(63,024)

Investing activities:

Interest earnings	853
Capital credit refund	2,660
Purchase certificates of deposit - interest	(656)

Net increase (decrease) in cash	----- 137,733
---------------------------------	------------------

Cash:

December 31, 2019	338,417
	-----
December 31, 2020	476,150
	=====

Reconciliation of operating  
income (loss) to net cash provided  
(used) by operating activities:

Operating income (loss)	124,905
Depreciation	140,476
SDRS pension expense	26,431

(Increase) decrease in:

Receivables	1,229
Inventory	(5,590)
Prepaid expenses	(2,375)

Increase (decrease) in:

Accounts payable	31,119
Wages and benefits payable	2,878
Customer deposits	2,364
Leave liability	780

Net cash provided (used)	-----
by operating activities	322,217
	=====

Noncash investing, capital and  
financing activities:

Pension related expense	26,431
-------------------------	--------

See accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity:

The Butte-Meade Sanitary Water District (District) is a sanitary district organized under the laws of the State of South Dakota (SDCL ch. 34A-5) and is a governmental subdivision of the State of South Dakota. Butte-Meade Sanitary Water District was incorporated by a majority vote of the electors within the District in the late 1960s. Pursuant to SDCL 34A-5-14, the District is a public body, corporate and politic. The District is comprised of one enterprise fund.

At December 31, 2020, the District's officials were:

Board of Directors:	District Manager:
Bob Lewis, President	Mike Wolff
Judy Heisler	
Penny Oedekoven	Clerk-Treasurer:
Brian Stambaugh	Merri Stapp
Gary Velder	
	Attorney:
	Bennett Main Gubbrud & Willert

The District's financial reporting entity is composed of the following:

Financial Reporting Entity:

Primary Government: - The Butte-Meade Sanitary Water District  
Component Unit: - None

To determine the financial reporting entity, the District complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The reporting entity of the District consists of (1) the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the primary government is financially accountable. The District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the District (the primary government). The District may also be financially accountable for another organization if that organization is fiscally dependent on the District unless that organization can, without the approval of the District: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Butte-Meade Sanitary Water District does not have any component units.

b. Basis of Presentation:

The District is considered a single enterprise fund for financial reporting purposes. The District's financial statements have been prepared on the accrual basis of accounting, consistent with the governmental proprietary fund concept which pertains to financial activities that operate in a manner similar to private business enterprises and are financed through user charges for services. The District applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Operating income includes revenues and expenses related to the primary operations of the District. Principal operating revenues are user fees for water services and the sale of materials. Principal operating expenses are the cost of providing water and maintaining system assets. Other revenue and expenses are classified as non-operating in the financial statements.

c. Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a charge to bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances outstanding over 90 days have their water shut off until the outstanding balance is paid.

d. Inventory:

Inventory is valued at cost, as determined on the first-in first-out method and consists mainly of maintenance supplies.

e. Capital Assets and Depreciation:

Capital assets, which include the collection and distribution system, buildings, and other equipment are reported in the basic financial statements. The District defines capital assets as those with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Depreciation is calculated on the straight-line method over the estimated useful life of the depreciable asset. The estimated useful lives are as follows:

Building and structures	10 - 40 years
Collection and distribution system	5 - 85 years
Equipment	5 - 10 years
Vehicles	5 - 10 years

Approximately 0% of the capital assets are determined by estimates of historical cost.

The cost of normal maintenance and repairs that do not add value of the assets, or materially extend asset lives, are not capitalized. Improvements that add value, or materially extend asset lives, are capitalized.

Interest cost incurred during construction of capital assets is not capitalized along with other capital asset costs.

f. Vacation and Sick Leave:

Annual leave is earned by the full-time employees at a rate of two weeks after 1 year, three weeks from 10 to 19 years and four weeks after 20 years. Sick leave is earned by full-time employees at a rate of twelve (12) days per year. Upon termination the employees are not entitled to receive compensation for annual leave or sick leave balances. However, starting in 2019 the Board is allowing the Clerk-Treasurer, who expects to retire in 2 1/2 years, to carry over unused vacation leave until her retirement.



g. Revenue and Expense Classifications:

In the statement of revenues, expenses and changes in net position, revenue and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities are not reported as components of operating revenue and expenses.

h. Estimates:

The preparation of financial statements in conformity with generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Following are some of the estimates made by management during the year:

- Allowance for doubtful accounts -- estimated uncollectables
- Depreciation -- estimated service lives
- SDRS Pension - actuarial assumptions

i. Cash and Cash Equivalents:

In the statement of cash flows, the District considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents.

For the year ending December 31, 2020, all deposits and investments are considered to be cash and cash equivalent for purposes of the statement of cash flow, except for certificates of deposit which have a maturity of more than three months.

j. Deferred Outflows and Deferred Inflows of Resources:

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period. The only deferred outflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees. See note 8.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period. The only deferred inflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees. See note 8.

k. Equity Classifications:

Equity is classified as net position and is displayed in three components:

1. Net Invested in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. Restricted Net Position - Consists of net position with constraints placed on their use by either (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - All other net position that does not meet the criteria of 1 or 2 above.

1. Application of Net Position:

It is the District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

None reported.

3. CASH, DEPOSITS, AND INVESTMENTS

Deposits:

The District's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as FDIC and NCUA.

In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating, which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at December 31, 2020 were as follows: Insured \$365,754, Collateralized \*\* \$233,155 for a total of \$598,909.

\*\* Uninsured, collateral jointly held by state's/municipality's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits, including 219 of petty cash, at December 31, 2020 was \$598,177 allocated as follows:

Unreserved:	
Petty cash	\$ 219
Checking	94,803
Reserved:	
Checking - revenue	20,000
Savings - operation & maint	270,772
Savings - meter replacement	19,328
Restricted:	
Savings - customer deposits	22,328
CD - customer deposits	64,567
Savings - debt service	48,700
CD - debt service	57,460
	-----
	\$ 598,177
	=====

#### Investments:

In general, SDCL 4-5-6 permits District money to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly or (b) repurchase agreements fully collateralized by securities described in (a) or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

The District had no investments during the year ending December 31, 2020.

Certificates of deposit, with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

Investment Risk - State law limits eligible investments for the District, as discussed above. The District has no investment policy that would further limit its investment choices.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk - the District places no limit on the amount that may be invested in any one institution. All District deposits are in First National Bank.

Custodial Risk (Deposits) - The risk that, in the event of a depository failure, the District's deposits may not be returned to it. At December 31, 2020, the District's deposits in financial institutions were not exposed to custodial deposit risk.

Custodial Risk (Investments) - The risk that, in the event of a default by the counterparty to a transaction, the District will not be able to recover the value of an investment or collateral securities held by the counterparty. At December 31, 2020, the District was not exposed to custodial investment risk.

#### 4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The District expects to collect all receivables within one year.

#### 5. CHANGES IN CAPITAL ASSETS (schedule one)

A summary of the changes in capital assets for the one year ending December 31, 2020 is presented in schedule one at the end of these footnotes. There is no construction-in-progress at December 31, 2020.

#### 6. DEBT (see schedule two)

A summary of changes in long-term debt for the fiscal year ending December 31, 2020 is found on schedule two at the end of these footnotes.

The terms of the District's two Rural Development revenue bonds require the District to maintain a debt service account. A sum equal to the minimum of 1/12th of the annual payment is to be deposited into this account each month. Principal and interest payments can be made from this account. At December 31, 2020 the District is in compliance with these terms.

The District has no: (a) unused lines-of-credit, (b) short-term debt, (c) debt extinguishments, defeasances, refundings or troubled debt restructuring, (d) special assessment debt, (e) conduit debt, (f) derivatives or hedging of variable rate debt, (g) debt related to claims and judgments, or (h) other than the collateral specified, terms in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences or (3) subjective acceleration clauses.

## 7. FUTURE REVENUE TO SECURE DEBT

Total operating income (loss)	\$ 124,905
Plus: Depreciation	140,476
Pension expense	26,431
	-----
Pledged revenue	\$ 291,812
	=====
 Total 2020 loan payments:	 \$ 139,152
	=====

## 8. PENSION PLAN

### Summary of Significant Accounting Policies:

For purpose of measuring the net pension (assets), liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. District contributions and net position (asset)/liability are recognized on an accrual basis of accounting.

### Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

### Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017 are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80.

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

Members that were hired on or after July 1, 2017 are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced

annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- > Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- > If the fair value of assets is equal to or greater than the baseline actuarial accrued liabilities, the COLA will be: The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- > If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be: The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

All benefits except those on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

#### Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The District's share of contributions to the SDRS for the years ending December 31, 2020, 2019 and 2018 were \$17,882, \$16,957, and \$15,030, respectively (employer's share) equal to the required contribution each year.

#### Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources to Pensions:

At June 30, 2020 SDRS is 100.04% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the District as of this measurement period ending June 30, 2020 and reported by the District as of December 31, 2020 are as follows:

Proportionate share of total pension liability	\$ 1,637,034
Less: Proportionate share of net position restricted for pension benefits	(1,637,612)
	-----
Proportionate share of net pension (asset)/liability	\$ (578)
	=====

At December 31, 2020 the District reported a (asset)/liability of \$(578) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2020 and the total pension liability used to calculate the net pension (asset) was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the District's proportion was .000133168 which is an increase of .00000996 over its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the District recognized net pension expense of \$26,431.

At December 31, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,212	\$ 453
Change in assumptions	18,629	75,132
Net difference between projected and actual earnings on pension plan investments	53,754	0
Changes in proportion and difference between client contribution and proportionate share of contributions	(1,560)	
District contributions subsequent to the measurement date	8,941	
	-----	-----
Totals	\$ 81,976	\$ 75,585
	(8,941)	=====
	(75,585)	
	-----	
To be amortized over 4 years	\$ (2,550)	
	=====	

The \$8,941 reported as deferred outflow of resources related to the pension, results from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021.

The other amounts reported as deferred outflows of resources and deferred inflow of resources related to the pension will be recognized in pension expense (reduction of expense) as follows:

Year Ending December 31, 2021	\$ (17,213)
December 31, 2022	(13,272)
December 31, 2023	2,096
December 31, 2024	25,839
	-----
	\$ (2,550)

#### Actuarial Assumptions:

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.41%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males.

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.



#### Discount Rate:

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

#### Sensitivity of (Asset)/Liability to Changes in the Discount Rate:

The following presents the District's proportionate share of the net pension (asset)/liability of SDRS, calculated using the discount rate of 6.50%, as well as what the District's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
District's proportionate share of the net pension (asset)/liability	\$224,360	\$(578)	\$(184,573)

#### Investments

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e.: the Council should use the same degree of care as a prudent man.) Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
	-----	
	100.0%	
	=====	

#### Pension Plan Fiduciary Net Position:

Detailed information about the Plan's fiduciary net position is available in a separately issued SDRS financial report.

## 9. RISK MANAGEMENT

### Liability and property:

The District purchases insurance for risks related to torts, thefts, or damage to property; errors and omissions of public officials; general workman's compensation; and property insurance from commercial insurance carriers. The policies provide for a \$2.9 million limit on property and a \$4 million limit on liability with a \$1 million umbrella policy. In prior years, settled claims resulting from these risks have not exceeded the District's liability coverage.

### Unemployment benefits:

The District does not pay into the Unemployment Compensation Fund established by the State of South Dakota. Instead, it is on a reimbursement basis. During 2020 the District made no unemployment benefit payments and none are expected to be paid in 2021.

## 10. TAX ABATEMENTS

As of December 31, 2020 the District did not provide any tax abatement incentives through agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

## 11. LITIGATION

The District can be a party to litigation. No determination can be made at this time regarding the potential outcome of such matters. However, as discussed in the risk management note above, the District has liability coverage for itself and its employees. Therefore, any litigation is not expected to have a potential material effect on the District's financial statements.

## 12. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

In 2020 the District had no related party activity.

In 2021 the hook-up fee was increased to \$2,000.

In 2021 FMG Engineering is working on a hydrolic study, which may indicate the need for a 3rd well in 3-5 years.

In April 2021 Hope Komes was appointed Clerk-Treasurer.



BUTTE-MEADE SANITARY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE  
 CHANGES IN CAPITAL ASSETS  
 FOR THE ONE YEAR ENDING DECEMBER 31, 2020

	Beginning				Ending	Accumulated		Depreciation	Depreciation	Accumulated	Remaining
	12-31-19	Adjustments	Additions	Deletions	12-31-20	Depreciation	Adjustments	(Additions)	Deletions	Depreciation	Cost
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Non-depreciable capital assets:											
Land	24,262				24,262	0				0	24,262
Depreciable capital assets:											
Buildings	273,349				273,349	(60,991)		(9,989)		(70,980)	202,369
Collection and distribution system	5,368,003	(1)	85,939		5,453,941	(2,601,156)	1	(91,786)		(2,692,941)	2,761,000
Equipment	464,175		10,976		475,151	(209,893)		(27,169)		(237,062)	238,089
Vehicles	60,862		28,100		88,962	(47,559)		(11,532)		(59,091)	29,871
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Totals	6,190,651	(1)	125,015	0	6,315,665	(2,919,599)	1	(140,476)	0	(3,060,074)	3,255,591
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

Beet Road line replacement	61,227
Indian Creek line replacement	24,712
Telephone system	10,976
2010 Chevy K3500 truck	28,100
	-----
	125,015
	=====

BUTTE-MEADE SANITARY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO  
CHANGES IN LONG-TERM DEBT  
FOR THE ONE YEAR ENDING DECEMBER 31, 2020

	Beginning 12-31-19	Additions	(Deletions)	Ending 12-31-20	Principal Due in 2021
	-----	-----	-----	-----	-----
<b>DIRECT BORROWING</b>					
1992 Rural Development (USDA) Revenue Bond:					
Original amount of \$880,000					
Maturing in 2032					
Interest at 6.625%					
Monthly payments of \$5,236					
2020 interest paid was \$35,756					
Purpose - Collection and distribution system improvements					
Collateral - Water revenue	522,732		(29,076)	493,656	30,127
2008 Rural Development (USDA) Revenue Bond:					
Original amount of \$455,000					
Maturing in 2048					
Interest at 4.125%					
Monthly payments of \$1,939					
2020 interest paid was \$15,748					
Purpose - Collection and distribution system improvements					
Collateral - Water revenue	385,215		(7,519)	377,696	7,688
2011 DENR Loan:					
Original amount of \$202,270					
Maturing in 2023					
Interest at 2.25%					
Quarterly payments of \$5,661					
2020 interest paid was \$1,105					
Purpose - Collection and distribution system improvements					
Collateral - Water revenue	70,777		(15,879)	54,898	21,591
2014 Bank Loan:					
Original amount of \$150,526					
Maturing in 2024					
Interest at 5.25%					
Monthly payments of \$1,621					
2020 interest paid was \$3,818					
Purpose - Collection and distribution system improvements					
Collateral - Water revenue	78,603		(15,633)	62,970	15,615
2019 DENR Loan:					
Original amount of \$402,687					
Maturing in 2040					
Interest at 2.25%					
Quarterly payments of \$6,265					
2020 interest paid was \$8,597					
Purpose - Collection and distribution system improvements					
Collateral - Water revenue	402,687		(8,022)	394,665	16,316
<b>OTHER DEBT</b>					
Accrued leave (due in 2022)	5,849	780		6,629	0
	-----	-----	-----	-----	-----
	1,465,863	780	(76,129)	1,390,514	91,337
	=====	=====	=====	=====	=====

BUTTE-MEADE SANITARY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO (continued)

CHANGES IN LONG-TERM DEBT

FOR THE YEAR ENDING DECEMBER 31, 2020

SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT

AT DECEMBER 31, 2020

	Total Payment	Principal	Interest	Remaining Balance
1992 Rural Development (USDA) Loan:				
2021	62,832	30,127	32,705	463,529
2022	62,832	32,123	30,709	431,406
2023	62,832	34,251	28,581	397,155
2024	62,832	36,521	26,311	360,634
2025	62,832	38,940	23,892	321,694
2026-2030	314,160	236,989	77,171	84,705
2031-2032	92,138	84,705	7,433	0
	<u>720,458</u>	<u>493,656</u>	<u>226,802</u>	
2008 Rural Development (USDA) Loan:				
2021	23,268	7,688	15,580	370,008
2022	23,268	8,005	15,263	362,003
2023	23,268	8,335	14,933	353,668
2024	23,268	8,679	14,589	344,989
2025	23,268	9,037	14,231	335,952
2026-2030	116,340	51,095	65,245	284,857
2031-2036	116,340	62,540	53,800	222,317
2036-2040	116,340	76,548	39,792	145,769
2041-2045	116,340	93,693	22,647	52,076
2046-2048	55,870	52,076	3,794	0
	<u>637,570</u>	<u>377,696</u>	<u>259,874</u>	
2011 DENR Loan:				
2021	22,644	21,591	1,053	33,307
2022	22,644	22,080	564	11,227
2023	11,322	11,227	95	0
	<u>56,610</u>	<u>54,898</u>	<u>1,712</u>	
2014 Bank Loan:				
2021	19,451	15,615	3,836	47,355
2022	19,450	16,479	2,971	30,876
2023	19,451	17,377	2,074	13,499
2024	14,624	13,499	1,125	0
	<u>72,976</u>	<u>62,970</u>	<u>10,006</u>	
2019 DENR Loan:				
2021	25,059	16,316	8,743	378,349
2022	25,059	16,686	8,373	361,663
2023	25,059	17,065	7,994	344,598
2024	25,059	17,452	7,607	327,146
2025	25,059	17,848	7,211	309,298
2026-2030	125,294	95,501	29,793	213,797
2031-2036	125,294	106,839	18,455	106,958
2036-2040	112,764	106,958	5,806	0
	<u>488,647</u>	<u>394,665</u>	<u>93,982</u>	

BUTTE-MEADE SANITARY WATER DISTRICT  
FOR THE SEVEN YEARS ENDING DECEMBER 31, 2020

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

SDRS Measurement Date Year Ended (1)	District's Pension Allocation Percentage	District's Proportionate Share of Net Pension (Asset) Liability	District's Covered Employee Payroll for a June 30th Year End	District's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2020	0.0133168%	(578)	292,267	(00.20%)	100.04%
June 30, 2019	0.0123208%	(1,306)	261,967	(00.50%)	100.09%
June 30, 2018	0.0118283%	(276)	245,900	(00.11%)	100.02%
June 30, 2017	0.0121510%	(1,102)	245,248	(00.45%)	100.10%
June 30, 2016	0.0124494%	42,053	236,733	17.76%	96.89%
June 30, 2015	0.0141086%	(59,839)	257,583	(23.39%)	104.10%
June 30, 2014	0.0142445%	(102,630)	249,100	(41.20%)	107.30%

(1) The amounts presented for each fiscal year were determined as of the collective net pension (asset)/liability which is 6-30 of the District's current calendar year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

BUTTE-MEADE SANITARY WATER DISTRICT  
FOR THE SEVEN YEARS ENDING DECEMBER 31, 2020

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

District's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
December 31, 2020	17,882	17,882	0	298,041	6.00%
December 31, 2019	16,957	16,957	0	282,617	6.00%
December 31, 2018	15,030	15,030	0	250,507	6.00%
December 31, 2017	14,739	14,739	0	243,882	6.04%
December 31, 2016	14,641	14,641	0	244,016	6.00%
December 31, 2015	14,081	14,081	0	234,684	6.00%
December 31, 2014	14,946	14,946	estimate	249,100	6.00%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.



NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY  
AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE YEAR ENDING DECEMBER 31, 2020

Changes of Prior Valuation:

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

The details of the changes since the last valuation are as follows:

Benefit Provision Changes:

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

Actuarial Assumption Changes:

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FCFR equal to or exceeding 100%. The condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

Actuarial Method Changes:

No changes in actuarial methods were made since the prior valuation.

REPORT ON  
COMPLIANCE AND OTHER MATTERS AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board  
Butte-Meade Sanitary Water District  
Newell, South Dakota

Independent Auditor's Report

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statements of net position, revenues, expenses and changes in net position, and cash flows of Butte-Meade Sanitary Water District, as of and for the year ending December 31, 2020, and the related notes to the financial statements, which collectively comprise Butte-Meade Sanitary Water District's basic financial statements and have issued my unmodified report thereon dated July 3, 2021.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether Butte-Meade Sanitary Water District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed no instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

I did note minor matters involving compliance that I reported to the governing body and management of Butte-Meade Sanitary Water District in a separate Letter of Comments dated July 3, 2021.

Internal Control Over Financial Reporting:

In planning and performing my audit of the financial statements, I considered Butte-Meade Sanitary Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of Butte-Meade Sanitary Water District's internal control.

A deficiency in internal control exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.



My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be a material weakness. However, material weaknesses may exist that have not been identified.

I did identify a deficiency in internal control, described in the accompanying schedule of current audit findings and responses that I consider to be a significant deficiency. I consider the deficiency described in the accompanying schedule of current audit findings and responses as item 2020-001 to be a significant deficiency.

I did note other minor matters involving internal control that I reported to the governing body and management of the Butte-Meade Sanitary Water District in a separate Letter of Comments dated July 3, 2021.

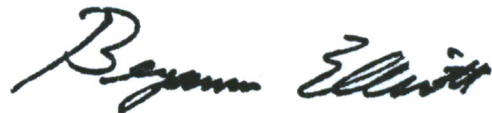
#### Purpose of the Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control and the results of that testing, and not to provide an opinion on the effectiveness of the District's compliance or on its internal control. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's compliance and internal control. Accordingly, this communication is not suitable for any other purpose.

As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota

July 3, 2021



SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Other Audit Findings:

2019-001: Preparation of Financial Statement: Repeated below as 2020-001

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Finding 2020-001: Preparation of Financial Statements  
(internal control - first reported in 2018)

*Criteria:*

Establishing internal controls over the preparation and drafting of the financial statements are the responsibility of management. The District should have an internal control system designed to provide for drafting the financial statements being audited.

*Condition:*

The District has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited. As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

*Possible Effect:*

This control deficiency could result in the possibility of fraud or errors occurring that would not be detected or corrected.

*Recommendations:*

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with the District's auditor drafting the financial statements because of cost or other considerations. If the District chooses not to accept this risk, another accountant with appropriate knowledge, skill and experience can be hired to either prepare or review the financial statements.

*Response:*

The District will consider having an outside accountant review the financial statements and notes to the financial statements prior to the audit being issued.